

OLC RECORD COPY

OLC 78-2444

3 July 1978

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MEMORANDUM FOR: OGC Logistics and Procurement Division
OL/Procurement Management Staff

FROM:

[Redacted]
Chief, Legislation Staff, OLC

SUBJECT: Legislation Relating to Limits and Purchase Prices
for Goods and Services

1. During its consideration of the authorization bill for the Treasury Department and other Federal entities on 27 June, the Senate adopted an unprinted floor amendment relating to limiting prices which Federal agencies may pay to purchase goods and services. The language of the amendment is as follows:

"SEC. 615. None of the funds appropriated by this Act or any other Act shall be used to purchase goods and services the prices of which have risen in excess of the guidelines established by the Office of Federal Procurement Policy pursuant to the President's memorandum to the heads of executive departments and agencies dated May 18, 1978."

Note that the amendment concerns funds appropriated by any Act not just the Treasury appropriations Act.

2. The limitation on purchase prices for goods and services is pegged to a Presidential memorandum to the heads of Executive departments and agencies dated 18 May 1978. I presume the Agency received this memorandum. I am attaching pages from the 27 June Congressional Record containing the floor debate on this provision. If in the opinion of your office this provision is of concern to us, please so advise. If it is determined we should seek to have the provision amended, we will have to do so during the House/Senate conference which is likely to take place fairly soon after the Congress reconvenes on 10 July. Therefore, please let me have any thoughts you might have on this matter by Friday, 7 July.

3. The bill also contained provisions limiting the use of funds to pay the GSA for rental of space and services pursuant to the Federal Property and Administrative Services Act of 1949 as amended; see attached section 611. In addition, section 612 of the bill places a limitation on use of funds for financing of construction of "purchase contract projects pursuant to section 5 of the Public Buildings Amendments of 1972." Do either of these provisions affect the Agency?

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Attachments

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OLC:RLB:sm (30 Jun 78)

June 27, 1978

CONGRESSIONAL RECORD—SENATE

S 9861

PRESENT AND GIVING A VOTE, AS PREVIOUSLY RECORDED—1
Zorinsky, against.

NOT VOTING

Anderson
Bayh
Brooke
Eastland
Gravel
Hayakawa
Inoué
Javits
Long
McGovern
Stennis

So the motion to table Mr. Dolz's amendment (No. 1352) was rejected.

The PRESIDING OFFICER. The question now occurs on agreeing to the amendment of the Senator from Kansas. The amendment was agreed.

Mr. HATHAWAY. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. BARRYETT. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. The Senator from Arizona.

OFF AMENDMENT NO. 1355

Mr. DeCONCINI. Mr. President, I send to the desk an unprinted amendment and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The second assistant legislative clerk read as follows:

The Senator from Arizona (Mr. DeCONCINI), for himself and Mr. Sasser, proposes an unprinted amendment numbered 1355.

On page 41, line 21, insert the following: Sec. 615. None of the funds appropriated by this Act or any other Act shall be used to purchase goods and services the prices of which have risen in excess of the guidelines established by the Office of Federal Procurement Policy pursuant to the President's memorandum to the heads of executive departments and agencies dated May 18, 1978.

Mr. DeCONCINI. Mr. President on behalf of Senator SASSER, and myself the amendment before the desk is in the nature of a commitment by this Chamber to support fully the President's anti-inflation Federal procurement policy.

Mr. GARN. Mr. President, may we have the order?

The PRESIDING OFFICER. The point is well taken. The Senate is in order.

The Senator will suspend until the Senate is in order.

The Senator from Arizona.

Mr. DeCONCINI. On May 18, President Carter circulated a memorandum to all executive departments laying down certain guidelines with respect to Federal procurement. Essentially, the President sought to utilize the vast purchasing power of the Government to assist in stabilizing prices.

In that memorandum, the President states:

I hereby direct all agencies to avoid or delay the purchase of those goods or services whose prices are rising rapidly. The only exceptions will be where such action (1) would seriously jeopardize our National defense, or (2) would cause serious and counterproductive unemployment problems; and suitable alternatives or substitutes are not available. In addition, I am directing that price escalation clauses of all new or renegotiated Federal contracts reflect the principle of deceleration. This would slow the built-in spiral of inflation in several billion dollars worth of purchases.

It has come to our attention that the Office of Federal Procurement is already encountering serious resistance to the President's new policy. The amendment we offer today will, we hope, buttress the President's position and policy by giving it the clear force of law. I hope that the distinguished floor manager of the bill will find the purposes of this amendment compatible with the intent of the Appropriations Committee and will, therefore, be able to accept the measure.

Mr. President, I ask unanimous consent to have both the President's memorandum of May 18 and a "point paper" on the administration of the program printed in the Record.

There being no objection, the material was ordered to be printed in the Record, as follows:

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

Inflation is a corrosive nation-wide problem, and yet the Federal Government's direct control over wages and prices is limited. If we are to expect labor and industry to join in voluntary restraints, then we must lead the way wherever we can.

I have already ordered pay raises reduced for Federal employees. To complement and balance this constraint on labor in the public sector, I am now ordering additional anti-inflation actions through the Federal Government's \$81 billion annual purchases of goods and services.

Like any consumer, the Government must react to high costs and the inflationary spiral. If goods or services are priced too high, the Government must decide whether it can do without certain things, or whether it can delay purchases. Therefore, I hereby direct all Agencies to avoid or delay the purchase of those goods or services whose prices are rising rapidly. The only exceptions will be where such action (1) would seriously jeopardize our National defense, or (2) would cause serious and counterproductive unemployment problems; and suitable alternatives or substitutes are not available.

In addition, I am directing that price escalation clauses of all new or renegotiated Federal contracts reflect the principle of deceleration. This will slow the built-in spiral of inflation in several billion dollars worth of purchases.

These new procurement procedures, and others to come will be carried out by OMB's Office of Federal Procurement Policy in cooperation with the Agencies.

JIMMY CARTER

POINT PAPER: ADMINISTRATION OF PRESIDENT'S ANTI-INFLATION PURCHASING PROGRAM

Objective: Reduce or delay purchases of (or find substitutes for) goods or services whose prices are rising rapidly. The intention is to, first, symbolically show the lead in anti-inflation purchasing behavior; and, second, where the Federal market share is significant, to have some impact on inflation rates for selected goods and services.

THE ACQUISITION SITUATION

This is a government-wide program, but in no case can we rely on arbitrary government-wide standards. Maximum attention has to be paid to the individual mission requirements, supplier base, and peculiar distribution problems of each individual agency.

For a given class of commodities or services, only one or several agencies may be involved. We will be selective in deciding which agency or agencies shall respond in any given area, if at all.

Administration of the effort will require in-depth familiarity with the market condi-

tions for each agency. Up-to-date information on suppliers, stocks and most recent transactions will have to be brought to bear on a real time basis.

All possible options will be considered in suggesting how to respond to a serious inflation problem: avoiding purchases altogether, modest or extended delays, or identifying substitute products or services which are less subject to inflation pressures.

ADMINISTRATIVE CONSIDERATIONS

This government-wide effort will have to be centrally coordinated through the OFPP, pursuant to Public Law 93-400 and the President's instructions.

An interagency "anti-inflation council" will be identified and convened at regular intervals to review inflation information and to discuss what actions, if any, can be taken to adjust Federal acquisitions.

OFPP will be responsible for interacting with COWPS and GSA to receive their indicators on inflationary goods and services. No commitments to avoid, delay, or otherwise adjust purchases will be made without consultation with the interagency panel and a thorough understanding of what actions can be taken, potential impact on mission requirements, supplier base and other considerations peculiar to the affected agencies.

Decisions once made will be executed promptly. Special communications channels may have to be established in some of the larger agencies so that instructions to buying offices can be received and executed without delay.

FOOD PROCUREMENT

(in millions of dollars)

	Amount
USDA, domestic programs, fiscal year 1975:	
Meat	142.1
Poultry	53.4
Vegetables	18.1
Fruit	72.1
Dairy	165.1
Grains	12.4
Peanuts and vegetable oil	13.1
Total	432.3

	Title I	Title II	Total
Public Law 480, Food for Peace, fiscal year 1977:			
Beans	0.8	0	0.8
Wheat and wheat products	297.4	132.6	430.0
Feed grains and products	45.7	31.0	76.7
Distilled dry flour	20.0	2.9	22.9
Rice	168.4	0.1	168.5
Vegetable oil products	76.1	32.1	108.2
Monofat dried milk	40.0	17.8	57.8
Peas	40	13.5	53.5
Tea	56.7	0	56.7
Coffee	18.0	0	18.0
Total	762.1	161.0	923.1

	Total
Total agriculture	1,555.4
DOD, fiscal year 1977:	
Meat	237.3
Poultry	21.3
Water food	28.8
Dairy	192.6
Fresh fruit	42.0
Frozen fruit	1.1
Fresh vegetable	55.8
Frozen vegetable	21.2
Frozen juices	4.2
Other perishables	45.2
Nonperishable substance	158.2
Brown names NFS	303.2
Total	1,183.9

	Total
From indefinite contracts:	
Dairy	231.0
Meat	340.0
Total	571.0
Total DOD	1,754.9
VA, fiscal year 1977: 89 Subsistence	72.4
Total USDA, DOD, and VA	2,584.7

Approved For Release 2004/10/28 : CIA-RDP81M00980R000700120104-7

(In millions of dollars)

	Agency (fiscal years)					Total
	DOD, 1976	NASA, 1977	GSA, 1977	TVA, 1977	VA, 1977	
45—Plumbing, etc.	14.4	0.1	6.0	1.9	1.4	23.8
47—Pipe, tubing, etc.	35.7	2.0	4.4	210.4	1.2	253.7
53—Hardware	58.2	(C)	11.2	10.0	3.1	82.5
54—Private structures	45.0	2	4.8	17.4	6	68.0
55—Lumber	21.4	(C)	9.2	3.5	7	36.8

	Agency (fiscal years)					Total
	DOD, 1976	NASA, 1977	GSA, 1977	TVA, 1977	VA, 1977	
56—Construction and building materials	16.3	.8	18.0	47.7	1.8	84.6
Total	191.0	3.1	53.6	292.9	8.8	546.4
48—Waves				47.1		47.1
Total	191.0	3.1	53.6	340.0	8.8	596.5

Less than 0.1.

Has significance for TVA.

Mr. DeCONCINI. Mr. President, it is imperative that the inflationary momentum built into our economic system be brought promptly under control. Continued price instability poses perhaps the most serious threat at present to the economic development and material well-being of our people. Its effects are pervasive and pernicious, creating distortions in capital markets, dampening consumer and business confidence, undermining the international standing of the dollar, and sharpening the division among economic groups scrambling to "get theirs first."

The general price level has almost doubled since 1970 which is another way of saying that the value of the dollar has been cut initially in half. The family of four making \$13,000 in 1970 needs at least \$22,500 today to maintain its living standard. And the most recent data suggest that, despite a slight lull at the end of last year, inflationary pressures are again taking hold. The so-called underlying rate has now been adjusted upward from 6 percent to in excess of 7 percent. Even more menacing is the news that increases in the cost of basic necessities such as food and housing have again moved into the double digit range.

Our responsibilities as public servants, Mr. President, are clear. We must take whatever measures lie within our power to contain those forces that push costs and prices to even higher levels. The public sector must take the lead in making those adjustments that will be required if economic stability is to be restored. This is particularly true for those of us who serve on the Appropriations Committee. We must do our utmost to eliminate unnecessary Government spending and promote efficiency and economy in the operation of public programs. At the same time, we should support the efforts of the President to manage the public sector more effectively.

There are some encouraging signs of this kind of congressional-executive collaboration on the problem of price deceleration of late. The President has proposed that salary increases for General Service employees be kept at 5.5 percent, on the average. The Senate Appropriations Committee has responded, at the urging of Senators EAGLETON and BELLMON, with a 5.5-percent cap on the wage increases allowable to Wage Board employees and a freeze on any further raises for public officials earning \$47,500 or more.

These are both salutary initiatives, in my judgment, if only for their symbolic

value. In each case, though, the focus is on containing the costs of Federal compensation. Both put the onus for price deceleration directly on the backs of public employees. I believe, Mr. President, that most public servants recognize the special obligation that comes with their position and are willing to take the lead in helping to control inflation. But it is unfair to expect them to make all the sacrifice. There are other avenues that should be explored, other ways the public sector can contribute to a reduction in inflationary momentum.

It is frequently overlooked that the Government has a major and direct impact on price behavior in its role as a purchaser of goods and services. The Federal Government annually spends in excess of \$80 billion processing the commodities and services it needs to carry out its functions. Buying power of this magnitude offers an unparalleled but underexploited opportunity to promote both greater economy in public expenditure and greater price restraint in the private sector, most notably among Government contractors and suppliers. Moreover, Mr. President, I think experience suggests that the chances of achieving sizeable gains in this regard are quite good. Anyone familiar with the dynamics of large organizations—either in the public or private sector—will immediately recognize how easy it is for social and psychological tendencies to undermine competitiveness in the procurement process. Habit and routine all too readily overcome the search for better, less costly products, and services. Almost inevitably over time, mutualistic relations will take shape between the parties to the transactions, despite formal organizational rules and prescriptions. As this happens, the Government purchasing agent comes to accord a subtle but significant preference for those firms and individuals with whom he has dealt in the past. Gradually, the incentive to seek out more efficient suppliers and less costly products diminishes as the convenience of a stable and predictable social bond assumes growing importance. Both parties may lean to avoid the friction that in genuinely competitive process would engender in favor of a system of de facto price discrimination.

In any case, Mr. President, I am glad to note that the administration is cognizant to the problem and intends to try to come to grips with it. To that end, the President has issued a memorandum to the heads of all executive departments and agencies establishing the institu-

tional machinery for carrying the fight against inflation to Government procurement. The President's directive creates an interagency government inflation council comprising agencies with a major procurement impact such as DOD, USDA, HEW, DOE, and so forth. The prime responsibility for implementing the deceleration program will lie with the Office of Federal Procurement Policy OMB.

Already the President's scheme is meeting with substantial resistance from the bureaucracy. It is obvious that the agencies would prefer to be left alone; they do not wish to alter the pattern of purchasing to which they have become accustomed. If the President's anti-inflation initiatives are not to be overwhelmed by bureaucratic inertia, it is imperative that the Congress show its support. I know of no better way to do so and to send an unambiguous message to those agencies who are dragging their feet than to approve the amendment Senator SASSER and I are offering.

In the simplest terms, it puts the congressional intent and support behind the President's anti-inflation procurement policy. By prohibiting expenditures that are inconsistent with the guidelines laid down by the Office of Federal Procurement Policy, we will serve notice of our unequivocal commitment to doing all we reasonably can to encourage a return to real economic growth and stability.

Mr. President, I urge adoption of the amendment proposed by Senator SASSER and myself.

I ask unanimous consent that Mr. Romano Romani and Leonard Ritt of my staff be permitted on the floor during the debate on this appropriation bill.

The PRESIDING OFFICER. Is there objection to the request? The Chair hears none and it is so ordered.

The Senator from Tennessee.

Mr. BUMPERS. Mr. President, will the Senator yield for a unanimous consent request?

Mr. SASSER. I yield.

Mr. BUMPERS. I ask unanimous consent that Len Parkinson of my staff be permitted access to the floor.

The PRESIDING OFFICER. Without objection, it is so ordered.

Who yields time to the Senator from Tennessee? Does the Senator from Arizona yield time?

Mr. DeCONCINI. I yield to the Senator from Tennessee the necessary time that he desires.

Mr. SASSER. I thank the distin-

guished Senator from Arizona for yielding.

Mr. SASSER. Mr. President, I am pleased to join the distinguished Senator from Arizona (Mr. DeCONCINI) in sponsoring this anti-inflation amendment to this appropriations bill.

Inflation is the leading economic problem confronting this Nation and the world today. It is my feeling that if inflation is going to be halted, we in the Federal Government must begin to take action to bring this situation under control.

I believe we in the Congress have a special responsibility for providing the leadership in the war against inflation. Certainly it is my feeling that the Committee on Appropriations has a history of acting responsibly—balancing the needs of the country with fiscal realities. Last year for instance, the Senate Appropriations Committee cut the President's budget request by more than \$6 billion. Again this year, the Appropriations Committee is making hard decisions aimed at cutting the Federal budget.

We in the Congress are attempting to balance the often conflicting interests of the necessity to spend for essential programs, and the necessity to economize where possible. However, I believe that many people throughout the country do not believe we are doing enough.

Indeed while we are making cuts and reductions where we feel it can be done prudently, the Federal budget continues to grow by billions of dollars each year. I can see why it is difficult for citizens to understand that we in the Federal sector of the economy are trying to hold down public spending. Throughout this Nation there is a growing feeling that the Federal budget plays a significant role in fueling the fires of inflation.

How do we in the Congress respond to this sense of frustration and concern on the part of the Nation's citizens?

I do not believe that the American people want us to make who ease cuts or cuts which would endanger the very defense of our country.

I do not believe that the American people want us to make wholesale cuts that would reduce the quality of life for many people who are poor, disabled or young.

I do not believe that the American people want us to cut back vital services.

But the American people do want us to cut out waste and inefficiency.

The American people want us to bite the bullet and make hard decisions.

The American people are challenging us to cut the unnecessary programs and effect needed economies.

The amendment introduced today by Senator DeCONCINI and myself responds to the frustrations of the American people. Our amendment attempts to demonstrate to the Nation and the world that the Federal Government is serious in battling the war against inflation.

We will be the first to admit that this amendment is symbolic. It is symbolic, certainly, but it is more than that. Our amendment attempts to encourage reductions in the increase of the Federal dollars spent for procurement of goods and services.

It is estimated that more than \$81 billion dollars in the procurement activities spread throughout every agency and department of the Government. And each year inflation eats into our procurement dollar. We are buying more at increasingly higher prices.

The DeCONCINI-SASSER amendment does not address the merits of specific procurement requests of the Federal Government. The budget requests for procurement activities are being reviewed by the appropriate legislative committees and appropriations subcommittees.

Our amendment simply tries to establish a reasonable approach to purchasing decisions. The amendment establishes into law the intent of President Carter's memorandum for the heads of executive departments and agencies, dated May 18, 1978.

President Carter on May 18 directed that all agencies delay or avoid purchases of goods and services which have excessive price increases.

I want to commend President Carter for taking this action. I believe that before our national leadership can ask the private sector to hold down price increases—and before we can ask working persons to accept smaller wage increases—we must demonstrate on the Federal level that we are willing to tighten our belts and reduce our budgets.

Earlier in the year, the President reduced pay raises for Federal employees. But I do not believe public employees should bear the burden alone. President Carter's memorandum of May 18 dealing with Federal procurement is a logical next step.

Our amendment puts teeth into the President's memorandum. Our amendment requires that Federal agencies consider the cost increases of goods and services before committing to make a purchase.

The amendment sets as a standard that we should not be purchasing any goods and services when prices have been rising rapidly.

As a matter of policy I believe the Federal Government, if indeed we are serious in our effort to restrain inflation, should make every effort not to purchase anything which has a cost that is rising more rapidly than inflation. To purchase items which are rising faster than inflation would only add to the inflationary pressures.

Our amendment, however, does not establish an inflexible mandate. Nor does our amendment create an unusual burden of increased paperwork. Our amendment allows, as did the President's memorandum, each agency to work out its own peculiar distribution problem.

Our amendment recognizes that inflation varies from product to product; therefore an inflexible figure would create an unusual burden and would be unworkable.

Our amendment recognizes that the needs of each agency vary according to individual mission requirements. In no way could our amendment be construed as halting ongoing projects or programs of the Federal Government.

Our amendment is designed to

sector of our economy to voluntarily restrain inflationary actions. The amendment recognizes that the best way to accomplish this voluntary restraint is for the Federal Government to take the lead.

The administration has announced that it intends to accomplish its goals in combatting inflation without impairing or interrupting the performance of essential Government services or programs, and we feel that this is wise and prudent policy.

The amendment we are offering today will encourage the Federal agencies to think twice about the impact of their procurement upon the inflationary psychology in our economy.

The President has assigned primary responsibility for carrying out this new procurement policy to the Office of Federal Procurement Policy. An "anti-inflation council" has been created which will determine what actions should be taken and what procedures will be followed in order to achieve the objectives of the President—and with the approval of this amendment, the objectives of the Congress.

Mr. President, I believe that this amendment is very timely. I believe that the purpose of this amendment is supported by most Americans. I urge that the amendment be adopted.

The PRESIDING OFFICER. Who yields time?

Mr. CHILDS. Mr. President, we have had an opportunity to look over this amendment proposed by the distinguished Senators from Arizona and Tennessee. I am convinced that it has considerable merit.

The administration is waging a strong fight against inflation, and I cannot conceive of a better way to assist in these efforts than to try to attack the prices that are paid for goods and services by the Federal Government.

My particular stand against wage and price controls is well known. However, this amendment merely restricts the prices the Federal Government would pay for its procurement of goods and services to the guidelines of the Office of Federal Procurement Policy. So I would tend to favor the amendment.

Mr. GOLDWATER. Mr. President, will the Senator yield for a question?

Mr. CHILES. I yield.

Mr. GOLDWATER. I have not had a chance to hear the wording of the amendment. Would this amendment apply to the purchase of military equipment?

Mr. CHILES. I yield to the Senator from Arizona.

Mr. DeCONCINI. The amendment would apply to military purchases, providing they would not jeopardize national defense.

Mr. GOLDWATER. As I understand it, this applies to goods and services but not directly to procurement for military purposes. The reason I ask that question is we have not enacted our authorization bill yet nor have we received an appropriation bill, and we all know that there are pieces of military equipment, small pieces, that were authorized last year as well as this year, and I do not know

whether the office of the Senator is interfering to have any jurisdiction over these items.

Mr. DeCONCINI. My understanding of the President's implementation is that it would apply only to the procurement of goods and services, not a new weapons system that is now authorized or may be authorized.

Mr. GOLDWATER. I thank the Senator.

Mr. CHILES. Mr. President, I move the amendment be adopted.

The PRESIDING OFFICER (Mr. HARRY F. BYRD, JR.). Is all time yielded back?

Mr. CHILES. I yield back the remainder of our time.

The PRESIDING OFFICER. Does the Senator from Arizona yield back his time?

Mr. DeCONCINI. I yield back all my time.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Arizona.

(Putting the question.)

The PRESIDING OFFICER. The Chair is in doubt.

(Putting the question again.)

The amendment was agreed to.

AMENDMENT NO. 3080

Mr. STEVENS. Mr. President, I call up my amendment No. 3080.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

The Senator from Alaska (Mr. STEVENS) proposes an amendment numbered 3080:

On page 41, strike out lines 5 through 20.

Mr. STEVENS. Mr. President, what is the time limit on this amendment? Thirty minutes?

The PRESIDING OFFICER. The time limitation is 1 hour, equally divided.

Mr. STEVENS. Very well. I will say to my good friend from Missouri, this amendment deals with the 5.5 percent pay cap. Mr. President, this is an amendment to delete an amendment offered by my good friend the Senator from Missouri (Mr. EAGLETON), approved by the Appropriations Committee as it reported the bill. It is an attempt to put an inflation limit on the expenditures for Federal employment by placing a 5.5 percent pay cap on all Federal workers. This amendment would delete that 5.5 percent pay cap.

I know that in the aftermath of proposition 13 and a few other things, people might think this is a good amendment to keep in the bill. But I think it is a very inequitable one, and I want to point out why.

The pay comparability system and the prevailing rate system, the pay systems applicable to Federal white collar and blue collar employees, respectively, were designed to equitably accommodate the pay needs of Federal employees. The principles of the two systems can be summed up in four points: First, there will be equal pay for equal work. Second, there will be differences in pay where there are differences in responsibilities, duties, and qualifications. Third, the rates will remain comparable with private industry pay rates for comparable work. Fourth, the pay levels will be main-

tained, and so attached to the pay cap will be applied and will continue until October 1, 1979, when the limiting provision expires. I point out that this is apparently limited by the length of time covered by this appropriation bill. Thus, they will receive a capped increase for 8 months. However, in Los Angeles, wage surveys are done in December. Their last wage increase was 8.68 percent. This December their increase will be limited to 5.5 percent and will also last until October 1, 1979. However, their increase is capped for 10 months, December through October, rather than the Sacramento cap applicable for only 6 months, April through October. Hence, Los Angeles blue-collar workers are penalized simply because they live in a different locality.

Now, the provision could be altered so that all Federal employees are capped for an entire year. For example, employees in a locality whose wage schedule is changed in November will be covered by the cap from November 1978, to November 1979. Though this appears to treat all employees equitably, it is simply a deception. For instance, employees in a locality whose wage survey is in September will receive their full increase from September 1978, through September 1979, since the pay cap does not apply until adjustments beginning in October 1978. However, their pay will be capped beginning in September 1979, to September 1980, more than 2 years from now.

Mr. President, I hope the Senate will understand that. Any wage increase that goes into effect before the effective date of this act, which is October 1, will be paid, whereas those that would go into effect October 1 or thereafter will not be paid, even though the pay of blue collar workers in the same State but in other localities will already have been adjusted.

Noting recent economic history, I do not believe any of us here are farsighted enough to predict that capped wages will be beneficial to the country 2 years from now, in terms of this type of application. Besides, once the cap is lifted, the surveys for the following year will show the disparity created by the pay cap and entitle the employees to a much higher pay adjustment than normal.

Let me talk a little bit about flexibility. The impact of this proposal in terms of the system that applies to the scheduled employees, those who are normally referred to as white collar employees, is the thing that bothers me most. I would call attention to the next amendment, which I hope the Senate will accept if this amendment carries. If the Senator from Missouri prevails in this, I will not offer it. But the other amendment he put on in committee was a limitation on top salaries of \$47,500, as a maximum amount; no one over that amount would get any increase under this bill.

What happens is this: The President makes a recommendation to Congress, and Congress has 60 days to approve or disapprove. We are supposed to wait for the Pay Council to make its recommendation to Congress. Rather than wait, however, the Senator from Missouri wants to say that no one in Government can get more than 5.5 percent. In addition, the pay cap will be applied and will continue until October 1, 1979, when the limiting provision expires. I point out that this is apparently limited by the length of time covered by this appropriation bill. Thus, they will receive a capped increase for 8 months. However, in Los Angeles, wage surveys are done in December. Their last wage increase was 8.68 percent. This December their increase will be limited to 5.5 percent and will also last until October 1, 1979. However, their increase is capped for 10 months, December through October, rather than the Sacramento cap applicable for only 6 months, April through October. Hence, Los Angeles blue-collar workers are penalized simply because they live in a different locality.

Ignoring the merits of such an argument, the act itself disregards some major differences between the pay procedures of blue-collar and white-collar workers. Under the white collar scheme, a pay council recommends to the President how much Federal pay rates should be increased to keep in step with private industry wages. He either submits a report of that recommendation or an alternative plan due to a national emergency or adverse economic conditions to the Congress. The Congress has 30 days to disapprove or else the plan goes into effect. If the plan is not disapproved, all the white-collar workers receive an increase simultaneously.

The blue-collar scheme is entirely different and has operated in this different fashion for over 100 years. According to law, the Civil Service Commission divides the country into local wage areas. It then designates an agency in each wage area to conduct a wage survey of private sector wages in its area. The survey compares the prevailing rates and establishes wage schedules and rates for the different categories of Federal employees in its area. Finally, all other Federal agencies within the area follow the newly devised wage schedule and apply it to its employees. The primary difference between this method and the white-collar method is that employees within different localities receive these new rates at different times of the year, in contrast to the one-time recommendation for white-collar workers. The white-collar workers will receive their increase all at one time. In fact, within a number of States, for blue-collar workers there are numerous rates that go into effect at different times of the year. So, for instance, in South Carolina, the Charleston locality rate is fixed in October, whereas the Columbia locality rate is fixed in July.

If the pay cap as drafted by the Senator from Missouri were adopted, employees' pay in one locality within a State may be substantially higher than the employees' pay in a different locality within the same State for the year. For example, according to the 1977 wage survey compilation, in Sacramento, Calif., the last wage survey was in April 1977 and the workers received an average increase of 8.36 percent. Assuming they received a similar increase this year, they will continue to receive the 8.36 percent increase until April 1979. In April 1979

pay cap will be applied and will continue until October 1, 1979, when the limiting provision expires. I point out that this is apparently limited by the length of time covered by this appropriation bill. Thus, they will receive a capped increase for 8 months. However, in Los Angeles, wage surveys are done in December. Their last wage increase was 8.68 percent. This December their increase will be limited to 5.5 percent and will also last until October 1, 1979. However, their increase is capped for 10 months, December through October, rather than the Sacramento cap applicable for only 6 months, April through October. Hence, Los Angeles blue-collar workers are penalized simply because they live in a different locality.

Now, the provision could be altered so that all Federal employees are capped for an entire year. For example, employees in a locality whose wage schedule is changed in November will be covered by the cap from November 1978, to November 1979. Though this appears to treat all employees equitably, it is simply a deception. For instance, employees in a locality whose wage survey is in September will receive their full increase from September 1978, through September 1979, since the pay cap does not apply until adjustments beginning in October 1978. However, their pay will be capped beginning in September 1979, to September 1980, more than 2 years from now.

Mr. President, I hope the Senate will understand that. Any wage increase that goes into effect before the effective date of this act, which is October 1, will be paid, whereas those that would go into effect October 1 or thereafter will not be paid, even though the pay of blue collar workers in the same State but in other localities will already have been adjusted.

Noting recent economic history, I do not believe any of us here are farsighted enough to predict that capped wages will be beneficial to the country 2 years from now, in terms of this type of application. Besides, once the cap is lifted, the surveys for the following year will show the disparity created by the pay cap and entitle the employees to a much higher pay adjustment than normal.

Let me talk a little bit about flexibility. The impact of this proposal in terms of the system that applies to the scheduled employees, those who are normally referred to as white collar employees, is the thing that bothers me most. I would call attention to the next amendment, which I hope the Senate will accept if this amendment carries. If the Senator from Missouri prevails in this, I will not offer it. But the other amendment he put on in committee was a limitation on top salaries of \$47,500, as a maximum amount; no one over that amount would get any increase under this bill.

What happens is this: The President makes a recommendation to Congress, and Congress has 60 days to approve or disapprove. We are supposed to wait for the Pay Council to make its recommendation to Congress. Rather than wait, however, the Senator from Missouri wants to say that no one in Government can get more than 5.5 percent. In addition,

1 by the Postal Service, the Postmaster General may take
2 the same actions as the Administrator of General Services
3 may take under the provisions of sections 2 and 3 of the
4 Act of June 1, 1948 (62 Stat. 281; 40 U.S.C. 318a, 318b)
5 attaching thereto penal consequences under the authority and
6 within the limits provided in section 4 of the Act of June 1,
7 1948 (62 Stat. 281; 40 U.S.C. 318c).

8 SEC. 611. No part of any appropriation contained in, or
9 funds made available by this or any other Act, shall be avail-
10 able for any agency to pay to the Administrator of the Gen-
11 eral Services Administration a higher rate per square foot
12 for rental of space and services (established pursuant to sec-
13 tion 210 (j) of the Federal Property and Administrative
14 Services Act of 1949, as amended) than the rate per square
15 foot established for the space and services by the General
16 Services Administration for the current fiscal year and for
17 which appropriations were granted.

18 SEC. 612. None of the funds available under this or any
19 other Act shall be available for administrative expenses in
20 connection with the designation for construction, arranging
21 for financing, or execution of contracts or agreements for
22 financing or construction of any additional purchase con-
23 tract projects pursuant to section 5 of the Public Buildings
24 Amendments of 1972 (Public Law 92-313) during the

1 period beginning October 1, 1976, and ending September 30,
2 1979.

3 This Act may be cited as the "Treasury, Postal Serv-
4 ice, and General Government Appropriations Act, 1979".